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FOREIGN SERVICE DESPATCH

773.5-MSP/7-2055

FROM : AMEMBASSY, TRIPOLI

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DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 20, 1955
DATE

REF :

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67	NEA-4	INFO	RMR-2, AREP-2, OLI-6, E-4, S/MSA-1, ICA-10
	REC'D 7/27	OTHER	OSD-4, JTR-3, CIA-5, ARMY-4, NAVY-3, AIR-3

SUBJECT: New Libyan Attitude Toward Economic Aid

773.5-MSP/

JOINT EMBASSY-USOM/L MESSAGE

new number of embassy
forwarded to CIA twice

The Embassy and USOM/L have been informed by Mr. Pitt Hardacre, Financial and Economic Advisor to the Libyan Government, that the Prime Minister has decided the Libyan Government must adopt a more responsible attitude toward securing the funds necessary for continued economic development. In this connection the Prime Minister proposes to send Mr. Hardacre to Washington on an entirely unofficial visit to discuss with "working-level" officials the possibilities for obtaining loans rather than grants for some of Libya's economic development projects in future years (not in U.S. fiscal year 1956). Mr. Hardacre will pass on the information he receives to the Prime Minister, so that the Prime Minister will have some idea of what the prospects are before he makes a formal approach to the U.S. Government.

It is probable that the visit is Mr. Hardacre's idea, subsequently sanctioned and adopted by the Prime Minister. Mr. Hardacre keeps up rather well with the news from the United States and knows the preference of the U.S. Government for loans rather than grants, not only because he has been told of it by officers of the Embassy and USOM/L but also because he had read about it in the U.S. press. While the Embassy does not wish to imply that the "more responsible attitude" mentioned by Mr. Hardacre is a figment of his imagination, it is nevertheless probable that the possibility that loans may be larger and more easily come by than grants has had some influence in developing such an attitude.

In addition to the approach to the U.S. Government, a similar one will be made to the British Government, on the same unofficial basis, by Mr. C. J. Pyke, Banking Adviser to the Libyan Government. Mr. Pyke has already left for London in company with Dr. Ali Aneizi, Governor of the National Bank of Libya. One of Mr. Pyke's duties in London is to assist Dr. Aneizi in arranging correspondent facilities for the National Bank of Libya. In addition, he will sound out the British Government and possibly private sources on an "old boy" basis, concerning the outlook for loans.

The Embassy and USOM/L believe that in Washington Mr. Hardacre will be seeking confirmation of his belief that requests for loans would be more acceptable to the U.S. Government than requests for grants and will be interested in exploring Washington's reactions on the types of projects for which loans might be obtained and the

FKHaddy/bg

DEPARTMENT OF STATE A/CDC/IR
REVIEWED BY J.M. Razi CONFIDENTIAL May 6, 1982
REPORTER

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possible magnitude and terms of such loans. It is probable that he has in mind a long-term low-interest or interest-free arrangement but might be persuaded to consider other types.

When he first broached the subject of this U.S. visit to an officer of the Embassy, Mr. Hardacre mentioned a recent Export-Import Bank loan to Afghanistan, raising the presumption that this was the sort of thing he had in mind. The Embassy understands that the most recent Eximbank loan to Afghanistan amounted to $16 million for thirty years at 2½ or 3 percent.

Mr. Hardacre has up to the present time brushed aside attempts to discuss Libya's joining the International Monetary Fund and International Bank, which the Embassy and USOM/L have taken as an indication that the usual terms of International Bank loans appear unattractive to the Libyan Government. The cost of subscriptions to the Fund and Bank is probably also a deterrent factor.

Mr. Hardacre may be accompanied on his Washington visit by Harold E. Caustin, Deputy Resident Representative in Libya of the United Nations Technical Assistance Board and also Chief Economist of the U.N. Mission here. The Prime Minister has requested his services and although the trip has not yet been cleared with the U.N. in New York, it probably will go through. Mr. Caustin should provide a sound and conservative influence in any loan discussions. He is British but has spent eight years in the U.S. as a U.N. official and knows financial and political conditions there quite well.

The Embassy and USOM/L believe that this unofficial visit offers the Department a good opportunity to impress upon the principal economic official of the Libyan Government the Department's views on the financing of Libya's economic development and the U.S. Government's role therein, in supplement to or elucidation of the views already made known to the Government through the Embassy and USOM/L.

Mr. Hardacre's proposed date of arrival in Washington was August 9th, but he is apparently experiencing difficulty in obtaining air reservations. The Department will be notified when the date is confirmed. 1/

For the Ambassador:

David G. Nes
First Secretary of Embassy

Copy to:
AmEmbassy, Benghazi

(Cleared with Marcus J. Gordon,
Director, USOM/L.)

1/ Now plans to sail from Southampton July 28 aboard Queen Elizabeth. Reservations not yet confirmed but believed to be available.

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